

Federal Budget Revisions for Fiscal Years 1980 and 1981

REVISED estimates of Federal unified budget receipts and outlays for fiscal years 1980 and 1981 were released March 31 by the Office of Management and Budget. The revised estimates reflect: (1) budget reductions and tax measures proposed as part of the administration's anti-inflation program announced in mid-March (see the

March SURVEY OF CURRENT BUSINESS for other aspects of the program); (2) reestimates of receipts and outlays based on revised economic assumptions and more recent data; and (3) policy changes enacted by Congress or proposed by the administration since the January budget.

Table 1.—Economic Assumptions Underlying the Fiscal Year 1981 Budget Revisions

	Calendar Year					
	Actual		Estimate		Differences from Jan.	
	1978	1979	1980	1981	1980	1981
Billions of dollars						
Gross national product:						
Current dollars.....	2,129	2,369	2,631	2,835	54	43
1972 dollars.....	1,306	1,432	1,442	1,449	10	1
Income:						
Personal income.....	1,717	1,924	2,131	2,340	22	26
Wages and salaries.....	1,303	1,225	1,353	1,493	11	15
Corporate profits before taxes.....	206	237	242	241	14	-1
Percent change from preceding year						
GNP in current dollars:						
Annual average.....	12.0	11.4	10.6	10.1	2.3	-0.6
Fourth quarter.....	13.4	10.9	10.0	11.4	2.1	-0.3
GNP in 1972 dollars:						
Annual average.....	4.4	2.3	.8	.4	1.4	-1.3
Fourth quarter.....	4.8	1.0	-1.4	2.2	.6	-0.6
GNP* deflator:						
Annual average.....	7.3	8.8	9.8	8.8	+0	.8
Fourth quarter.....	8.2	9.0	10.3	6.1	1.4	.5
Consumer price index:						
Annual average.....	7.4	11.4	13.9	9.5	2.1	.3
Fourth quarter.....	8.4	12.8	12.8	9.0	2.1	.3
Percent						
Unemployment rate:						
Annual average.....	6.0	5.8	6.7	7.3	-0.3	-0.1
Fourth quarter.....	5.8	5.9	7.2	7.3	-0.3	-----
Insured unemployment rate: ¹						
Annual average.....	2.0	2.1	2.7	4.0	-0.3	-----
Interest rate, 91-day Treasury bills: ²						
Annual average.....	7.2	10.0	13.1	9.5	2.6	.3

1. Insured unemployment under the State regular unemployment insurance program, excluding recipients of extended benefits as percentage of covered employment under that program.

2. Average rate on new issues within the year. The estimates assume, by convention, that interest rates vary with the rate of inflation. They do not represent a forecast of interest rates.

Source: "Fiscal Year 1981 Budget Revisions."

On the basis of the revised economic assumptions, the outlook for inflation has worsened significantly since the January budget was prepared (table 1). The Consumer Price Index (CPI) is now forecast to increase 12.8 percent from the fourth quarter of 1979 to the fourth quarter of 1980, compared with 10.7 percent previously. Much of the increase is concentrated in the first half of the year. During 1981, the CPI is forecast to increase 9 percent, compared with 8.7 percent previously. Interest rates have been revised upward in line with the higher inflation. The administration continues to forecast a recession for 1980, but it is now expected later in the year. Consequently, the unemployment rate peaks later than in the previous forecast. Under both forecasts, the economy recovers moderately in 1981, and by the end of calendar 1981, the level of unemployment and real GNP are about the same as forecast in January.

For fiscal year 1980, a \$36.5 billion deficit is estimated, compared with \$39.8 billion in January (table 2). Receipts are \$8.6 billion higher, largely reflecting higher rates of economic activity and inflation, as well as the imposition of a \$4.62 per barrel "gasoline conservation fee" on imported oil effective March 15. Partly offsetting these factors is a lower estimate of the windfall profits tax, which was effective March 1; the budget had assumed a January 1 effective date and slightly different provisions from the law enacted by Congress in March. Outlays are \$5.4 billion higher; \$4 billion of this increase is for defense, and reflects higher than anticipated fuel and transportation costs and prices of other

purchases, faster than anticipated spending under contracts let earlier, and increased operations in the Persian Gulf. Planned reductions under the anti-inflation program (\$2.4 billion) and lower net interest due to the lower deficit (\$0.2 billion) partly offset \$4 billion of higher nondefense spending for programs such as farm price supports, highway grants, and lending activities.

For fiscal year 1981, a surplus of \$16.5 billion is estimated, compared with a deficit of \$15.8 billion in January. Receipts are \$28 billion higher; \$16.4 billion is due to tax changes and \$11.6 billion is due to revised economic assumptions. Among the tax changes are proposals to replace the oil import fee with a new tax on gasoline and diesel fuel effective October 1, 1980 (\$12.6 billion) and to withhold taxes on interest and dividends effective January 1, 1981 (\$3.4 billion). All other tax changes (net), including new estimates of the

windfall profits tax, add \$0.4 billion. Outlays are \$4.3 billion lower; planned reductions under the anti-inflation program (\$15 billion) and lower net interest mainly due to the shift from deficit to surplus (\$2.2 billion) more than offset increases due to reestimates. The planned reductions are due to deferral or reduction of new initiatives in the January budget, such as for energy, anti-recession fiscal assistance, and welfare reform; a proposed shift from semi-annual to annual indexing in Federal retirement programs; and a variety of other changes such as elimination of the State share of general revenue sharing, delays in purchases for the strategic petroleum program, and reductions in employment, health, education, and defense programs. The upward reestimate for defense outlays (\$5.7 billion) is due to the same factors cited for 1980, and that for nondefense outlays (\$7.3 billion) is largely due to higher cost-of-living adjustments for social security

and certain other entitlement programs and increases in net interest because of higher interest rates.

Revised NIPA estimates

BEA has prepared estimates of the Federal sector on the national income and product accounting (NIPA) basis consistent with the revised unified budget outlays (table 2). On this basis, fiscal year 1980 receipts are \$12.7 billion higher than estimated in January, expenditures are \$3.8 billion higher, and the deficit is \$8.9 billion lower. All categories of receipts are revised upward, largely reflecting higher incomes. The upward revision in indirect business tax and nontax accruals also reflects the gasoline conservation fee. Among expenditures, there were upward revisions in national defense purchases, grants-in-aid to State and local governments, and net interest paid. The upward revision in national defense purchases reflects the same factors cited for defense outlays. The upward revision in grants-in-aid reflects higher spending for highways, sewage treatment plants, and community development, and was partly offset by lower spending for public service jobs, welfare reform demonstrations, and energy assistance. The upward revision in net interest paid is the net result of higher interest rates and somewhat reduced borrowing. These revisions were partly offset by downward revisions in nondefense purchases (higher sales of petroleum from the naval petroleum reserves, lower purchases for the strategic petroleum reserve, and reductions in a host of other programs) and transfer payments to persons (lower unemployment benefits reflecting a lower level of unemployment).

For fiscal year 1981, receipts are \$25.4 billion higher than estimated in January, expenditures are \$5 billion lower, and the fiscal position is revised from a deficit of \$18.6 billion to a surplus of \$14.7 billion. The upward revision in receipts results from \$16.0 billion due to tax changes and \$11.5 billion due to revised economic assumptions. All receipt categories are revised up. The proposed gasoline and diesel

Table 2.—Federal Government Receipts and Expenditures
(Billions of dollars)

	Fiscal year							
	Estimates							
	1980				1981			
	Actual 1979	Jan.	Revisions due to economic assumptions and reestimates	Tax changes and expenditure reductions	Mar.	Jan.	Revisions due to economic assumptions and reestimates	Tax changes and expenditure reductions
Unified budget								
Receipts.....	465.3	523.8	5.4	2.2	532.4	600.0	11.5	16.4
Outlays.....	498.7	533.6	5.0	-2.5	536.9	615.8	12.0	-17.2
Surplus or deficit (-).....	-37.7	-30.8	-1.5	4.5	-36.5	-15.8	-1.4	32.8
National Income and product accounts								
Receipts.....	483.7	630.5	9.2	3.5	543.2	607.7	11.5	16.9
Personal tax and nontax receipts.....	223.5	245.1	3.0	.....	248.1	278.7	0.1	2.7
Corporate profits tax accruals.....	78.4	75.5	5.0	.....	81.5	77.1	3.9	-1.4
Indirect business tax and nontax accruals.....	20.3	38.6	-1	3.5	41.8	53.0	-3	15.6
Contributions for social insurance.....	132.4	170.5	1.3	.....	171.6	197.0	1.5	.....
Expenditures.....	493.9	645.2	6.1	-2.3	508.1	624.3	11.5	-10.4
Purchases of goods and services.....	142.4	165.0	3.4	-1.1	168.1	202.0	6.4	-4.9
National defense.....	70.5	118.7	4.1	-3	122.4	132.1	5.7	-1.0
Nondefense.....	71.9	46.3	-6	-5	46.7	70.8	7	-3.0
Transfer payments.....	204.7	235.1	-3	-1	234.8	257.6	2.3	-1.0
To persons.....	147.7	230.0	-8	-1	230.1	288.2	1.0	-1.0
To foreigners.....	4.0	4.2	0	.....	4.7	4.4	0	.....
Grants-in-aid to State and local governments.....	78.3	84.3	1.8	-1.0	85.0	90.7	7	-0.0
Net interest paid.....	40.4	40.2	0	-2	40.9	52.2	3.1	-2.3
Subsidies less current surplus of government enterprises.....	0.8	10.9	3	.....	10.3	12.9	-1.1	.....
Surplus or deficit (-).....	-10.0	-33.4	3.1	5.8	-24.0	-18.6	.....	32.3

Sources: "Fiscal Year 1981 Budget Revisions," and the Bureau of Economic Analysis.

fuels tax accounts for \$12.8 billion of the tax changes, and proposed withholding on interest and dividends accounts for \$3.4 billion. The downward revision in expenditures is the net result of \$11.5 billion due to higher expenditures from reestimates and \$16.5 billion due to reductions associated with the anti-inflation program. The largest reestimates occur in national defense purchases (higher fuel costs), in net interest paid (higher interest rates), and in transfer payments to persons (higher cost-of-living adjustments for social security and other indexed programs). The only major downward reestimate is in subsidies less current surplus of government enterprises (lower government payments to farmers). The largest reductions occur in grants-in-aid and nondefense purchases. Grants are reduced for general revenue sharing, anti-recession fiscal assistance, energy programs, public service jobs, health services, and a host of other programs. Reductions in non-defense purchases include the deferral of start-up costs for welfare reform, the postponement of strategic petroleum reserve purchases, and lower spending for NASA and veterans programs. Net interest is also reduced (the shift to surplus in 1981) as are transfer payments to persons (a shift from semi-annual to annual indexing in Federal military and civilian retirement programs).

BEA also has revised the quarterly pattern of receipts and expenditures on the NIPA basis (table 3) and the reconciliation of fiscal year totals with the unified budget (table 4 and table 5). NIPA estimates based on the January budget are discussed in detail in the February Survey.

Table 3.—Federal Government Receipts and Expenditures, NIPA Basis

(Billions of dollars, seasonally adjusted at annual rates)

	Actual	Calendar year						
		Estimate						
		1980				1981		
		IV	I	II	III	IV	I	II
Receipts	438.3	438.3	438.4	438.4	437.2	437.6	437.5	437.5
Personal tax and nontax receipts.....	248.5	248.5	248.5	247.9	248.6	248.5	248.7	247.5
Windfall profits tax offset.....	—	—	—	—	—	—	—	—
Withholding on interest and dividends ¹	—	—	—	—	—	—	—	—
Other new tax changes (net) ²	—	—	—	—	—	—	—	—
Other.....	248.5	248.5	248.5	247.9	248.6	248.5	248.7	247.5
Corporate profits tax accounts.....	141.9	141.9	141.9	141.9	141.9	141.9	141.9	141.9
Windfall profits tax offset.....	—	—	—	—	—	—	—	—
Other.....	141.9	141.9	141.9	141.9	141.9	141.9	141.9	141.9
Indirect business tax and nontax accounts.....	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
Windfall profits tax.....	—	—	—	—	—	—	—	—
Oil import fee and gasoline tax.....	—	—	—	—	—	—	—	—
Sugar import fee.....	—	—	—	—	—	—	—	—
Other.....	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
Contributions for social insurance.....	104.1	104.1	104.1	104.1	104.1	104.1	104.1	104.1
Expenditures	548.4	548.4	548.4	548.4	548.2	548.2	548.2	548.2
Purchases of goods and services.....	176.4	176.4	176.4	176.4	176.4	176.4	176.4	176.4
National defense.....	114.6	114.6	114.6	114.6	114.6	114.6	114.6	114.6
Nondefense.....	61.8	61.8	61.8	61.8	61.8	61.8	61.8	61.8
Transfer payments.....	222.7	222.7	222.7	222.7	222.7	222.7	222.7	222.7
To persons.....	217.8	217.8	217.8	217.8	217.8	217.8	217.8	217.8
To foreign countries.....	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Grants-in-aid to State and local governments.....	84.3	84.3	84.3	84.3	84.3	84.3	84.3	84.3
Net interest paid.....	45.2	45.2	45.2	45.2	45.2	45.2	45.2	45.2
Subsidies less current surplus of government enterprises.....	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Surplus or deficit (-).....	-15.2	-15.2	-15.2	-15.2	-15.2	-15.2	-15.2	-15.2

1. Net of reduced quarterly declarations.
2. Complete of the interest and dividend exclusion and changes in passport and visa fees.
3. Differs from number shown in table 12 because of proposed increase in foreign tax credit retroactive to 1979 assumed in budget revisions.

Table 4.—Relation of Federal Government Receipts in the National Income and Product Accounts to the Unified Budget

(Billions of dollars)

	Fiscal year		
	1979	1980	1981
Unified budget receipts.....	455.9	455.4	455.9
Less: Coverage differences.....	1.3	1.4	1.4
Financial transactions.....	—	—	—
Plus: Netting differences.....	—	—	—
Contributions to government employee retirement funds.....	7.9	8.8	8.4
Other.....	2.6	2.6	2.9
Timing differences.....	—	—	—
Corporate income tax.....	4.8	-2.3	-2.3
Federal and State personal income taxes.....	—	—	—
Withholding personal income tax and social security contributions.....	2.3	-2.2	-2.2
Excise taxes.....	—	2.4	1.0
Other.....	—	—	—
Miscellaneous.....	—	—	—
Equals: Federal Government receipts, NIPA.....	459.7	459.2	459.1

Table 5.—Relation of Federal Government Expenditures in the National Income and Product Accounts to the Unified Budget

(Billions of dollars)

	Fiscal year		
	1979	1980	1981
Unified budget outlays.....	498.7	498.9	498.5
Less: Coverage differences.....	—	—	—
Geographic.....	4.8	4.8	4.8
Off-budget Federal activities.....	-31.4	-15.0	-20.7
Other.....	—	-2.2	-2.2
Financial transactions.....	—	—	—
Net lending.....	20.6	22.5	18.6
Other.....	—	-1.5	-1.5
Net purchases of land.....	—	—	—
Outer Continental Shelf.....	-2.9	-2.5	-2.4
Other.....	—	—	—
Plus: Netting differences.....	—	—	—
Contributions to government employee retirement funds.....	7.9	8.8	8.4
Other.....	2.6	2.6	2.9
Timing differences.....	—	—	—
National defense purchases.....	-1.3	-2.7	-2.3
Other.....	—	-1.5	-1.5
Miscellaneous.....	—	—	—
Equals: Federal Government expenditures, NIPA.....	498.5	498.1	498.4